

Remarks/Arguments

The present amendment is made in response to the Office Action dated June 22, 2004, and identified as Paper No. 4.

In the Action, the Examiner rejected claims 1-21 under 35 U.S.C. § 101 as directed to non-statutory subject matter. Claims 3-4, 6, 9-14, 17-21 were rejected under 35 U.S.C. § 112, ¶ 2 as indefinite. Claims 1, 3, 5, 7-8, 12 and 15-16 were rejected under 35 U.S.C. § 102(a) as anticipated by published patent application 2002/0046038 to Prokoski ("*Prokoski*"). Claims 9, 11, and 17 were rejected under 35 U.S.C. § 102(a) as anticipated by PCT publication WO 01/93154 to Exchange ("*Exchange*"). Claims 2, 4, 6, and 13-14 were rejected under 35 U.S.C. § 103(a) as obvious over *Prokoski*. Claim 10 was rejected under 35 U.S.C. § 103(a) as obvious over *Exchange*.

With regard to the rejection under section 101, the Examiner found that the claims were directed toward non-statutory subject matter because they relate to abstract ideas that do not advance the "technological" arts. According to the Examiner, the "technological" requirement was established in *In re Toma*, 197 U.S.P.Q. 852 (C.C.P.A. 1978), and not overruled by *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 57 U.S.P.Q.2d 1596 (Fed. Cir. 1999). A closer reading of these cases reveals that there is no such thing as a "technological arts" rejection and that the Federal Circuit has specifically overruled its application.

As support for the existence of a "technological arts" rejection, the Examiner quoted a portion of the decision in *Toma* where such a rejection was discussed. In the portion of the decision relied on by the Examiner as endorsing a "technological arts" rejection, however, the Court was merely explaining the rejection that was at issue in that case. More specifically, the

Court was noting that a “technological arts” rejection was often applied in conjunction with “mental steps” rejections and “*was not intended to create a generalized definition of statutory subject matter.*” *In re Toma*, 197 U.S.P.Q. at 857. The Court further held that “[the technological arts inquiry] was not intended to form a basis for a new § 101 rejection as the examiner apparently suggests.” *Id.* at 857. The Court concluded by holding that “[t]o the extent that this ‘technological arts’ rejection is before us . . . *it is subsequently reversed.*” *Id.* at 857. Rather than endorsing the “technological arts” rejection, the Court in *Toma* *specifically rejected it.*

As *Toma* clearly held that there was no such thing as a “technological arts” rejection, it does not follow that the Federal Circuit failed to overrule the appropriateness of such a rejection in *State Street Bank*. Indeed, the Federal Circuit in *State Street Bank* did not need to address the technological arts prong of the test because no such test existed under the governing precedent. *State Street Bank* did clearly hold, however, the *only inquiry* at issue was whether the claimed invention results in a “useful, concrete and tangible result.”

The Examiner’s reliance on *Ex parte Bowman*, 61 U.S.P.Q.2d 1669 (BPAI 2001) as endorsing the “technological arts” rejection is misplaced. *Bowman* is an *unpublished* decision that, according to the BPAI rules, cannot be used as precedent. See BPAI Standard Operating Procedure 2 (Revision 4) (Publication of opinions and binding precedent).

Since the decision in *State Street Bank*, the Federal Circuit has continued to reject the technological arts and physical transformation tests applied here by the Examiner. As the Federal Circuit recently held, the only inquiry is whether the claims produce a “useful, concrete, and tangible result.” *AT&T Corp. v. Excel Comms., Inc.*, 172 F.3d 1352 (Fed. Cir. 1999). In

particular, the Court in *AT&T Corp.* addressed claims directed toward a method for use in a telecommunications system that comprised:

generating a message record for an interexchange call between an originating subscriber and a terminating subscriber, and

including, in said message record, a primary interexchange carrier (PIC) indicator having a value which is a function of whether or not the interexchange carrier associated with said terminating subscriber is a predetermined one of said interexchange carriers.

The Court held that the claim was “comfortably with the broad scope of patentable subject matter under § 101” despite the lack of physical limitations in the claim because the steps of generating a message record and including a PIC indicator facilitated differential billing of long-distance calls. The claimed invention thus produced the requisite useful, concrete, and tangible result, *i.e.*, facilitated differential billing.

The claims of the present invention also comprise statutory subject matter as they relate to a method for placing a monetary value on an intangible asset, such as a patent. By calculating and combining various data, the present invention places a discrete dollar value on an intangible asset. A single dollar value for a particular asset is by all means a “useful, concrete and tangible result.” Indeed, the claimed method in *State Street Bank* did the very same thing by calculating a single value for a mutual fund. Although the present invention comprises the use of an algorithm, as the Federal Circuit says all methods necessarily do, its subject matter is no different from the method of calculating the value of a given mutual fund that was claimed in *State Street Bank*, and similarly represents the practical application of an abstract idea to produce a useful, concrete and tangible result.

As evidence of the usefulness of the valuation performed by the present invention, the IRS requires a tangible and concrete valuation when determining the value of a patent donated to

a charity or not-for-profit group. *See, e.g.*, Internal Revenue, Code of Federal Regulations, 26 CFR 1.170-1. Rather than merely guessing the value, which is truly an abstract principle (and a violation of IRS guidelines), the claimed invention allows the owner of a particular intangible asset to generate a single dollar value from a variety of data inputs in a manner that is both objective and defensible should it be challenged. This is precisely the type of method held patentable in *State Street Bank*.

With regard to the rejection in view of claims 3-4, 6, 9-14, 17-21 under 35 U.S.C. § 112, ¶ 2 as indefinite, applicant has amended the claims to correct the antecedent basis and clarity problems identified by the Examiner. In particular, claims 3, 4, 6, 9, 14, 18, 19, and 20 have been amended. Claim 17 has been cancelled. With regard to claims 12 and 21, the term “new intangible asset” has been defined in the specification to refer to an intellectual property asset which is an improvement to or replacement for an intellectual property asset already incorporated into an existing product. *See* Specification at pg. 7, ll. 20-22 and pgs. 29-35. The term “new” is not used to connote given age in chronological terms, but rather to indicate in the relative sense that the intellectual property asset is “new” to a given product already in the marketplace. With regard to claim 20, the limitation objected to by the Examiner is actually only part of the term “average product present monetary value,” which was recited in the preceding step of the claim.

In conjunction with the section 112 rejection, the Examiner noted that the claims are in narrative form and replete with indefinite and functional or operational language. The Examiner further notes that the structure which makes up the device should be clearly and positively specified, as exemplified by the cited patents. The present claims are in narrative form and include functional and operation language because they recite *methods*. To the extent that the

claims are indefinite, the Examiner should identify the indefinite limitations as required under 35 U.S.C. § 112. Lack of structure, however, is not necessarily a proper basis for rejecting a method claim.

The patents cited by the Examiner contain claims similar to those at issue here. For example, claims 1-10 of U.S. Patent No. 6,330,547 recite a method for establishing the creditworthiness of an intangible asset that is devoid of any structural limitations. Notably, dependent claim 11 recites "the method of claim 1 which is computer assisted," thereby indicating that claim 1 encompasses methods which are not computer assisted. According to the Examiner's "technological arts" rejection, claims 1-10 should not have been found patentable because they lack technological structure, yet they clearly were.

With regard to the rejection of claims 1, 3, 5, 7-8, 12 and 15-16 under 35 U.S.C. § 102(a) as anticipated by *Prokoski*, the reference fails to disclose each and every element of the claimed invention as required for a proper anticipation rejection. See MPEP § 2131. As an initial matter, it should be noted that *Prokoski* was not published until April 18, 2002, more than a year after the present application was filed, and thus cannot serve as prior art under section 102(a).

A detailed look at *Prokoski* reveals that it only discloses the valuation of intellectual property by pooling assets in a holding company which owns the intellectual property and then auctioning off shares in the company. This method differs entirely from the claimed method of the present invention. For example, the first step of the invention recited in claim 1 is "calculating a monetary value of a tangible asset associated with said intangible asset." The portion of *Prokoski* relied on by the Examiner does not calculate a monetary value of a tangible asset. Instead, the portion of *Prokoski* cited by the Examiner merely references that the status of products in production are a factor to be considered when setting the initial opening bid at an

auction. *Prokoski* thus fails to disclose calculating the monetary value of a commercial product that is associated with the discrete intellectual property asset to be valued, as currently claimed in the application.

The second step of claim 1 calls for "determining a competitive advantage of said tangible asset over competing tangible assets as a percentage thereof." *Prokoski* never even mentions the competitive advantage of the particular product. Instead, *Prokoski* states that information on competing products may be used to set an initial bid price for stock in a holding company. Thus, *Prokoski* does not disclose any determination of a percent competitive advantage of the product over competing assets.

The third step of claim 1 requires "calculating a value for said intangible asset based upon a relative contribution of said intangible asset to said competitive advantage of said tangible asset." As *Prokoski* never mentions competitive advantage, the reference certainly does not disclose the use of a relative competitive advantage to determine the value of an intellectual property asset, as claimed in the present application. Thus, the rejection of the claims as anticipated is improper as at least three express claim limitations are absent from the cited reference. See MPEP § 2131 ("A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference").

With regard to the rejection of claims 9, 11, and 17 under 35 U.S.C. § 102(a) as anticipated by PCT publication WO 01/93154 assigned to the Patent and License Exchange ("*Exchange*"), it should be noted that *Exchange* was not published until December 6, 2001, more than a year after the present application was filed, and thus cannot serve as prior art under section 102(a). Regardless, *Exchange* fails to disclose every element of the claimed invention and thus does not anticipate under any applicable provision of section 102. See MPEP § 2131.

Exchange relates generally to a method of valuing intellectual property based on call option pricing theory normally applied to stocks and bonds. The citations provided by the Examiner to the specification of *Exchange* do not reveal any of the limitations recited in the claims. In fact, the Examiner was unable to provide a citation for many of the claims elements. It is axiomatic that the reference must disclose all of the limitations of the claim for a proper rejection under 35 U.S.C. § 102. See MPEP § 2131.

With regard to the rejection of claims 2, 4, 6, and 13-14 under 35 U.S.C. § 103(a) as obvious over *Prokoski*, the Examiner has failed to state a *prima facie* case of obviousness. Although the Examiner identifies multiple steps in each claim which are not disclosed in the prior art, the claims were rejected as obvious because the Applicant did not show that the claimed limitation provide an advantage. This is not a proper obviousness rejection as the Examiner bears the burden of establishing a *prima facie* case. See MPEP § 2142. Moreover, the standard for patentability is whether the claimed invention is novel and non-obvious – whether the invention provides advantages over the prior art is irrelevant to patentability.

A rejection under section 103(a) requires that the Examiner come forward with *prima facie* evidence in the prior art why one of ordinary skill in the art would make the claimed modifications or combinations. See MPEP § 2142 (“initial burden is on the examiner to provide some suggestion of the desirability of doing what the inventor has done”). The Examiner failed to identify any motivation in the art to support the rejection. Instead, the Examiner reaches the hindsight conclusion that one of ordinary skill would perform up to six independent steps recited in the claims that are totally missing from the prior art merely because *Prokoski* “discloses the invention for the valuation of intellectual property” The Examiner did not explain how the general disclosure in *Prokoski* that intellectual property can be valued motivates the multiple,

highly specific steps recited in the claims which detail one way of valuing intellectual property. If the knowledge that a task could be performed operated to render all methods of accomplishing the task obvious, no method would be patentable. In other words, the purported "motivation" relied on by the Examiner does not truly motivate or suggest each and every limitation recited in the claims and is therefore not a proper basis for the obviousness rejection. *See* MPEP § 2143.01.

Claim 10 was rejected under 35 U.S.C. § 103(a) as obvious over *Exchange*. As with the rejection of claims 2, 4, 6, and 13-14, the Examiner improperly placed the burden on Applicant to show why the at least five express claim limitations are advantageous over prior art which fails to disclose even one of these limitations. This is not a proper inquiry under section 103(a), as the Examiner has the burden to establish a *prima facie* case of obviousness by detailing how the prior art discloses, motivates or suggests each and every claimed limitation. *See* MPEP § 2142 ("initial burden is on the examiner to provide some suggestion of the desirability of doing what the inventor has done"). In particular, the Examiner stated that one of ordinary skill would have expected the claimed invention to perform equally well as *Exchange*. Expectation of success is only relevant if there is an express motivation or suggestion to perform the claimed combination. *See* MPEP § 2143.02. An expectation of success is not itself a valid motivation to make the claimed combination. This line of reasoning is result-oriented and evidences that the Examiner has presumed the existence of the claimed invention, thereby engaging in improper hindsight analysis. *See* MPEP § 2142.

The Examiner also states that it is merely a matter of design choice to modify *Exchange* to include the limitations of the claimed invention. The "design choice" rejection is only appropriate when all of the limitations are present in the prior art and the applicant has merely

rearranged the elements. *See* MPEP § 2144.04. As described above, *Exchange* discloses on on-line patent licensing system that is completely different than the claimed invention (as evidenced by the five claim limitations that the Examiner admits are absent from *Exchange*), involves completely different parameters and inputs, and achieves an entirely different result. The Examiner failed to describe how (or why) someone of ordinary skill in the art could modify an on-line system for exchanging patent licenses to value a particular intellectual property asset in the precise manner set forth in the claims. Even if one of ordinary skill in the art could modify *Exchange* to perform the numerous steps claims in the present application, the Examiner failed to identify a motivation or suggestion making all of the requisite changes.

In view of the foregoing amendments, the Examiner's reconsideration is requested and allowance of the present application is believed to be in order. If the Examiner believes a phone conference with Applicant's attorney would expedite prosecution of this application, she is respectfully requested to contact him at (315) 218-8515.

Respectfully submitted,

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